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Consumer Energy Advocacy

Over recent months, consumer organisations have been working together to develop a proposal to improve national energy consumer advocacy. This culminated in a detailed business plan for a new organisation, to be known as Energy Consumers Australia Ltd (ECA), being presented to Governments in November 2012. ECA would work to advance the interests of all Australian residential and small business energy consumers.

It is pleasing, therefore, that the Council of Australian Governments (CoAG) has endorsed the need to enhance consumer representation in energy. On 7 December 2012, the Prime Minister announced the following initiatives to give consumers a voice in the energy market:

- Establish a Consumer Challenge Panel, comprised of industry experts, to represent consumers' interests in regulatory determinations;
- Implement national consumer protections (including for smart meters) by 1 January 2014; and
- Develop a national consumer advocacy body, in close consultation with stakeholders, to provide a national consumer voice for energy policy and regulatory development.

On 14 December 2012, SCER announced that to progress the development of a national consumer advocacy body, an expert advisor will be engaged to consult with consumer groups and other stakeholders in the development of an implementation model, with a written report to be provided to SCER for consideration by May 2013.

These are all very welcome steps. However, it is important that the work achieved by energy consumer advocacy organisations to date in the development of the detailed business plan is used as the basis for further work. The business plan was developed based on consultation with energy advocates and developed through a Working Group set up through a national expression of interest selection process run by an independent external facilitator.

For a national energy advocacy body to work effectively it is imperative that it is supported by the consumer sector and is able to work collaboratively with other consumer agencies engaged in energy advocacy in the various state and territory jurisdictions. With such support, a new body can deliver consumer benefits that support national market objectives and the National Energy Customer Framework.

Best wishes for the festive season, from Consumer Action.

We welcome feedback on the information provided in *On the Wire*. Further, we encourage you to forward the newsletter throughout your networks.

Production of *On the Wire* is funded by the [Consumer Advocacy Panel](#). To subscribe to *On the Wire*, please email info@consumeraction.org.au with the words "Subscribe to On the Wire" in the subject line. The next edition of *On the Wire* is scheduled for release at the end of March 2013.

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1. Regulatory developments

1.1 Standing Council on Energy and Resources (SCER) and Council of Australian Governments (COAG)

The Standing Council on Energy and Resources (SCER) met in Melbourne on 23 November 2012 to address and agree upon a range of issues in the lead up to the COAG meeting the following week.

Specifically the meeting was to 'finalise an enhanced national energy market reform package', which has four broad themes: strengthening regulation, empowering consumers, enhancing competition and innovations and ensuring balanced network investment.

Further details can be found in the meeting's communiqué, [here](#).

The Council of Australian Governments (COAG) met on Friday 7 December 2012 to reach agreement on a package of reforms to Australia's electricity markets, with the focus of the reform to "return the interests of consumers to the centre of Australia's electricity markets" and to limit future electricity price rises.

The range of measures to be implemented included:

- Rule changes to ensure no over-investment in networks;
- Giving consumers a voice in the electricity market;
- A strengthened independent regulator;
- More choice for consumers; and
- Actions to reduce electricity peaks.

Further information can be found in COAG's announcement, [here](#).

SCER held a follow up meeting on Friday 14 December 2012 in Hobart. The meeting considered the implementation of the energy market reform package agreed by COAG. A number of issues were considered, including:

- the in-principle agreement of COAG to develop a best-practice framework for reliability standards;
- the decision to review the Australian Energy Regulator's resources, independence and operational arrangements, subject to final decisions by the end of 2013.

In relation to consumer advocacy, SCER agreed to explore options for a national energy consumer advocacy body and will appoint an expert advisor to engage and consult with consumer groups and other stakeholders in the development of an implementation model. A report will be provided to SCER for consideration by May 2013.

SCER also agreed to progress improvements to the current mechanism of retail competition reviews by the Australian Energy Market Commission, to provide a more market-wide and ongoing review of the state of competition.

Further details can be found in the meeting's communiqué, [here](#):

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1.2 Senate Select Committee on Electricity Prices

The Senate Select Committee (the Committee) on Electricity Prices has released its report ***Reducing Energy Bills and Improving Efficiency***.

The Committee found that while there are a number of factors contributing to the large increases in electricity prices (including replacement of out-dated infrastructure and increased peak demand), the most significant of these, was inefficient, over-investment in infrastructure, and that the current regulation of the National Electricity Market (NEM) creates a perverse incentive for network businesses to do this. As such, in its report, the Committee made recommendations to ensure greater scrutiny of network business investment proposals by the Australian Energy Regulator (AER), including:

- new guidelines for assessing rates of return;
- changes to the National Electricity Rules (NER) to ensure more efficient forecasting of capital returns, return on debt, and capital and operational expenditure as well as decoupling of network revenues from energy volumes;
- greater guidance for tariff-setting by network businesses; and
- the ability for the AER to conduct ex post reviews of network business capital expenditure.

The Committee also focused on the need for the NEM to reflect the current energy policy framework and promote broader environmental policy objectives, recommending that the National Electricity Objective (the NEO) is better aligned with these broader policies.

In recognition of the role of peak demand in increased electricity prices, the Committee recommended that the Standing Council on Energy and Resources (SCER) agree:

- to the introduction of cost reflective pricing for electricity consumers, subject to continued provision of a flat, regulated tariff for vulnerable consumers;
- to the roll-out of smart meters for households and businesses in certain circumstances;
- that prior to the introduction of these measures, Australian governments fund and undertake a comprehensive consumer education and information campaign; and
- to introduce changes to the regulation and operation of the NEM that would encourage and allow consumers, or authorised third parties, to sell their demand in the wholesale electricity market.

Finally, the Committee supported the introduction of the National Energy Customer Framework (NECF) and its implementation across all states and territories adopt these model laws by 1 July 2013. The Committee also recommended the establishment of a national consumer advocacy body to promote the interests of electricity consumers in NEM regulation and decision-making.

More information on the Committee's findings and recommendations can be found [here](#).

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1.3 Productivity Commission

On 18 October 2012 the Productivity Commission (the **Commission**) released its ***Electricity Network Regulatory Frameworks (Vol 1 and Vol 2) Draft Report*** (the **Draft Report**).

The Draft Report provided comment on a much broader scope than the [Issues Paper](#), which was to “inform the Australian Government about whether there are any practical or empirical constraints on the use of benchmarking of network businesses and then provide advice on how benchmarking could deliver efficient outcomes, consistent with the National Electricity Objective (NEO)”.

In the development of the Draft Report, however, the Commission found it necessary to assess the broader complex and interrelated regulatory system within which benchmarking sits, making the observation that there is “no point in simply fixing a punctured tyre if the car has no engine”.

As a result, the scope of the Draft Report provided comment on; the structure of the National Electricity Market (including its scale and cost), the nature of demand, rising prices (including network charges), reliability, market power and the regulation of monopolies, benchmarking, incentive regulation, the impacts of the WACC, capex and opex, demand driven augmentation, the Regulated Asset Base, network ownership (state vs privately owned) and their productivity and performances, peak demand and demand management, technologies for use in demand management, time-based pricing, retail price deregulation, distributed generation, governance, consumer engagement and more!

[Key recommendations](#) from the Draft Report offered a nationally-focussed, package of reforms to address the major, interlinked regulatory barriers to the efficiency of electricity networks, including:

- a poor focus on consumers, despite their interests being the overarching objective of the regulatory regime;
- inadequate demand management;
- costly ways of achieving, and sometimes excessive, reliability requirements;
- state regulatory arrangements and network business ownership;
- the resourcing and capacity of, and structural arrangements for, the regulator; and
- the regulatory rules, and the ability of the regulator to apply them.

Submissions to the Draft Report closed on 23 November 2012, with public hearings commencing from 26 November. The Commission plans to prepare a final report to forward to the Australian Government by 9 April 2013.

Submissions to the Draft Report by small consumer representatives include those by; [Consumer Action Law Centre](#), [Public Interest Advocacy Centre](#), [National Seniors Australia](#) and [Total Environment Centre](#).

More information including the key recommendations of the Commission, can be found in the Draft Report, [here](#).

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1.4 **Federal Government – recent reports**

1.4.1 **Energy White Paper**

The Department of Resources Energy and Tourism (DRET) has released the long awaited [Energy White Paper](#). Following an extended consultation period, the reforms announced include four priority action areas for energy transformation:

- delivering better energy market outcomes for consumers;
- accelerating our clean energy transformation'
- developing Australia's critical energy resources, particularly gas resources; and
- strengthening the resilience of Australia's energy policy framework.

The Energy White Paper appears to have evolved from its earlier [Draft Energy White Paper](#) and rather than just assuming that a market-based approach will deliver positive outcomes, it seems that the Government acknowledges that there are a number of pre-requisites to well-functioning markets, including identifying when government intervention is required to facilitate good market outcomes and also that consumer participation and engagement is necessary for a well-functioning market. However, the Energy White Paper appears to continue to oversell the benefits of price-deregulation and competition in Victoria.

Specifically the Energy White Paper outlines its intention to:

- strengthen market institutions and governance by addressing the functions of energy market bodies; removing conflicts of interest arising from the ongoing public ownership and governance of energy businesses and ensuring better representation of the interests of consumers in market development and decision-making processes.
- improve network efficiency and performance by:
 - actioning recommendations from current reviews to ensure that the regulatory framework, including appeals or review processes, provides for efficient investment outcomes;
 - ensuring greater transparency in network investment, balancing the need to deliver a consistent standard of reliability at minimal cost, and improving performance, connections and network services for the benefit of consumers.
- empower consumers by:
 - ensuring that markets have incentives to provide consumers with better information and choice about their energy-use decisions, as well as a greater ability to participate in the energy market through demand-side opportunities and use of smart meters, and other advanced energy management applications and smart appliances;
 - ensuring that consumer protections are maintained through the full implementation of the National Energy Customer Framework.
- ensure competitive and efficient wholesale and retail markets by:
 - seeking a clear commitment and timeframe for deregulating retail price controls where effective competition exists, or developing a pathway to effective competition and deregulation where it does not
 - developing national guidelines that provide a benchmark approach to a 'fair and reasonable' feed-in tariff for micro-generation to encourage competition, and clear rights and obligations for connections.

More information on the Energy White Paper and its recommendations can be found [here](#).

1.4.2 SCER – Smart Meters Consumer Protections.

The Standing Council of Energy and Resources, Standing Committee of Officials, Energy Market Reform Working Group has released the [final paper on the National Smart Meter Consumer Protection and Safety Review](#). Following the finalisation of [Smart Meter Consumer Protections and Pricing Draft Policy Paper One](#) in 2009 the paper primarily looks at whether current consumer protection arrangements (as established in the National Energy Customer Framework) are appropriate to cover the new tariff arrangements enabled by smart meters and whether or how the protections can be enhanced so that consumers are able to realise the benefits.

The paper has provided a number of [recommendations](#) in relation to new pricing arrangements including time of use prices and critical peak pricing and has also taken into consideration the role of state and territory governments in regulating retail prices.

The Paper proposes four key principles to underpin consumer protection:

- Maintaining effective choice of tariffs for small consumers when new retail pricing arrangements become available;
- Ensuring that new tariffs and other products are designed and offered in a way that is simple for consumers to understand, give their explicit informed consent to, and respond effectively to price signals;
- Ensuring that vulnerable consumers are sufficiently protected; and
- Improving overall energy literacy and the availability of consumption information so that consumers can make good choices.

With time of use pricing soon to be more available to Victorian consumers, the adoption of these principles (and those that are being developed in Victoria) may assist consumers manage increasing complexity. Importantly, policy makers and the energy industry need to prioritise simple and effective tools to help consumers manage usage—including technologies that manage energy-intensive appliances (direct load control)—rather than just rely on punitive pricing at periods of peak consumption which can hurt the most vulnerable.

More information on the National smart meter consumer protection and safety review – officials' report can be found [here](#).

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1.4.3 Review of Limited Merits Review

The Expert Panel appointed by the Federal Government has released the [Stage 2 - Final Report](#), of the Review of the Limited Merits Review.

To date, merits review has not focused on whether the regulator's overall decision provides network businesses with sufficient revenues to efficiently supply energy services in the long-term interests of consumers. Rather, merits review has allowed businesses to 'cherry pick' issues and receive outcomes that favour the network businesses. The decisions of the review body, the Australian Competition Tribunal, have increased revenue recovered from customers by approximately \$3 billion.

To overcome this, the Expert Panel has recommended:

- that there should be a single ground for appeal, that is, that there is reason to believe that there is a materially preferable decision.
- that a "preferable decision" will be one that ensures that regulatory determinations promote efficiency in investment, operation and use of networks *in ways that best serve* the long term interests of consumers.
- that merits review should adopt an inclusive and investigatory approach, rather than an adversarial approach which may deny access to consumer groups.
- the establishment of a separate appeals body to undertake merits review, and suggests this body to be placed within the Australian Energy Market Commission (AEMC).

During the review, consumer advocates sought the abolition of merits review (but for energy businesses to retain the right for judicial review) or that review should only be on the allowed where the entire decision is reviewed (a *de novo* review). The Expert Panel states its proposal will not result in a *de novo* review because, for example, the review body would be required to adopt the primary decision as its starting point. Despite this, consumer advocates are supportive of the proposal as we agree it will significantly change the risk/reward calculation for energy networks considering an appeal. In short, it appears that the approach suggested will significantly reduce the number of appeals, a key objective for consumers.

SCER has now released a consultation Regulatory Impact Statement (**RIS**) that explores a range of options for addressing these limitations, based on the Expert Panel's recommendations. Submissions are due on the RIS by 8 February 2013, and can be found [here](#).

More information and further detail on the recommendations made in the review can be found [here](#).

1.4.4 National Energy Customer Framework (NECF)

The NECF is slowly being implemented in the various states and territories, with its introduction into Tasmania and the ACT since 1 July 2012.

SCER has agreed that all NEM jurisdictions would commence the NECF as soon as practical and no later than 1 January 2014, subject to the resolution of some jurisdictional specific issues. SCER has recently released the following timeline:

Jurisdiction	Implementation date
Australian Capital Territory	1 July 2012
Tasmania	1 July 2012
South Australia	1 February 2013 (proposed, tbc)
New South Wales	1 July 2013 (proposed)
Victoria	1 January 2014 (proposed)
Queensland	Under consideration in Queensland electricity sector review

Despite Victoria's delay, its regulator the Essential Services Commission is now [proposing](#) to re-enact its Energy Retail Code in a very similar form to the National Energy Retail Rules with effect from 1 July 2013.

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1.5 Australian Energy Regulator (AER)

The AER has published a final determination following its review of the cost thresholds associated with the Regulatory Investment Test for Transmission: [Cost thresholds review for the regulatory investment test for transmission final determination](#). Findings include that:

- The \$5 million cost thresholds in clause 5.6.5C of the National Electricity Rules, in relation to the definition of replacement transmission network asset and in relation to transmission investment as referred to in the definition of new network investment, be maintained at \$5 million; and
- The \$35 million cost threshold in clause 5.6.6(y) be increased to \$38 million. The revised cost threshold will take effect on 1 January 2013.

The AER is undertaking the following price determinations:

- [Victorian Gas Distribution 2013-2017](#): Following the release of its draft determinations relating to the proposals of Envestra, Multinet and SPAusNet (where the AER declined original proposals of the business, reducing the businesses costs by between 21 and 33 per cent), the AER has released a [Customer consultation paper](#) in an attempt to engage

more consumer engagement in the price determination process, including inviting submissions on the draft decision. Submissions are due 7 January 2013.

Following the recent rule change in relation to the economic regulation of network businesses, the AER has initiated a range of measures to implement its new powers. As part of this, on Tuesday 18 December 2012 the AER held a public forum *Better Regulation* to launch the work it will be doing to develop guidelines across:

- Expenditure assessments;
- Rate of return;
- Expenditure incentives;
- Shared assets;
- Power of Choice;
- Managing confidential information;
- Customer engagement; and
- Consumer reference group.

Given the work in transitioning to the new rules, the AER has delayed the onset of the NSW and ACT Electricity distribution price reviews by 12 months, and the next Victorian, Queensland and South Australian Electricity Distribution Price (EDPR) reviews by 6 months. The development of the guidelines will coincide with Framework and Approach paper for the NSW/ACT EDPR and inform the AER's processes.

Victorian electricity distribution pricing proposals 2013 - AER decision on reasonable estimates

The AER has released Victorian electricity distribution pricing proposals 2013 - AER decision on reasonable estimates. The AER found that four of the DNSP's (CitiPower, Powercor, SP AusNet and United Energy) pricing proposals, relating to their 2013 forecasts for the take-up of flexible tariffs, were not reasonable. The AER requires that these DNSPs re-submit their pricing proposals within 10 business days to amend these forecasts in accordance the AER's decision under clause 6.18.8 of the NER.

The AER will publish the re-submitted proposals. The AER is required to make a decision on approved network tariffs in sufficient time to enable the new tariffs to take effect by 1 January 2013. <http://www.aer.gov.au/node/18682>

For more information from the AER, visit www.aer.gov.au.

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1.6 Australian Energy Market Commission (AEMC)

Reviews

Power of Choice Forum

The AEMC has released its [Final Report Power of choice review - giving consumers options in the way they use electricity](#) (30 November 2012). The final recommendations are designed to increase responsiveness of demand side to the evolving market, by providing information and price incentives to consumers for taking up demand side changes, and enabling network operators, retailers and others to support consumer choice through better incentives to capture flexible demand and through decreasing transaction costs and information barriers.

The AEMC has proposed three key reforms to help achieve the efficient demand-supply balance in the market:

- Rewarding DSP in the wholesale market;
- Providing appropriate consumer protection arrangements and gradually phasing in efficient and flexible pricing options; and

- Introduce competition in metering services and develop a framework for smart meters and their services.

In the Final Paper, the AEMC has retained the bulk of reforms presented in the draft report, except for the following changes:

- **Consumer access to data:** Remove the proposal for AEMO to publish market information on representative consumer load profiles, with AEMO instead gathering and publishing such data which will be available through other sources (i.e. distribution annual planning reports).
- **Consumer engagement:** The AEMC are advising that the NECF is amended to establish a framework for governing third parties (non-retailers) providing energy services to residential and small business consumers.
- **Arrangements for consumer switching retailers:** The final report recommends a review into retailer switching arrangements to improve the ease and time for how consumers switch retailers.
- **Metering:** The final report proposes that the minimum specification for any new smart meter installed should be the National Stakeholder Steering Committee smart meter infrastructure minimum functionality specification (as already been endorsed by SCER).
- **Distribution network incentives:** The report now includes a recommendation for more principles and a guiding objective for the demand management incentive scheme (including a recommendation for a rule change on this matter).

The release of this report has coincided with the National Consumer Protection Smart Meter Report, as detailed above.

Review of Arrangements for Compensation following an Administered Price, Market Price Cap or Market Floor Price

The AEMC has released a draft report on [Review of Arrangements for Compensation following an Administered Price, Market Price Cap or Market Floor Price](#) - 29 November 2012. This report sets out our key recommendations regarding the compensation provisions contained in clause 3.14.6 and 3.15.10 of the National Electricity Rules.

Final position on network regulation rule changes – released 15 november.

The AEMC published its [National Electricity Amendment \(Economic Regulation of Network Service Providers\) Rule 2012 and National Gas Amendment \(Price and Revenue Regulation of Gas Services\) Rule 2012](#) on the regulation of electricity and gas network prices on 29 November 2012.

In short, the new rules give the regulator additional tools to set maximum prices which network businesses can charge. The rules improve the strength and capacity of the regulator to determine network price increases so consumers don't pay more than necessary for reliable supplies of electricity and gas.

The new rules take effect immediately. They will be applied by the regulators, subject to the implementation arrangements, the next time the regulator makes a determination for a particular business.

Reliability Panel Annual Market Performance Review - draft report

<http://www.aemc.gov.au/market-reviews/open/annual-market-performance-review-2012.html>

The Panel undertakes a review each year under the National Electricity Rules (NER) of the performance of the National Electricity Market (NEM) in terms of the reliability and security of the power system. The scope of this review is to consider the reliability, security and safety of the NEM in terms of the performance against the standards and guidelines determined by the Panel under the NER. On 8 November 2012 the Panel published its draft report which examines

the performance of the NEM in the 2011-2012 financial year. Submissions are due by 6 December 2012.

The Reliability Panel will hold a public meeting on this review at the AEMC office in Sydney on 13 February 2013. This public meeting will be held in conjunction with the Panel's public meeting on the review of the Energy Adequacy Assessment Projection. If you would like to attend the public meeting please register online. Registrations must be received by 31 January 2013.

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2. Consumer advocacy

2.1 A Policy Trilemma, *Janine Rayner, Consumer Action Law Centre*

The latter half of 2012 has been punctuated with significant publications about energy market reform. At a time when energy prices are soaring and consumer interest in the issue is peaking, there is a lot of commentary about the problems and potential solutions, particularly in relation to higher electricity prices. Reports by the Senate Select Committee, the Productivity Commission, the Department of Resources, Energy and Tourism, the Australian Energy Market Commission and announcements by SCER and COAG – all seek to assess the current energy market and identify the key drivers for higher energy prices.

Interests of the powerful energy industry have traditionally held sway in the energy debate, often at the expense of getting the best outcomes for consumers. But thankfully, as these issues have gained the public's attention, policy makers are now refocusing in an attempt to deliver benefits to energy consumers.

A report recently published by Consumer Action, [A Policy Trilemma: creating an affordable, secure and sustainable energy market](#), authored by former UK EnergyWatch CEO and former Commonwealth Ombudsman Allan Asher, argues that the energy market has failed to deliver for Australian households and that relying on competition alone to address consumers' needs is not enough. The report offers a range of practical recommendations for energy market reform which will start to address the issue of whether the energy market is delivering for consumers.

The report highlights that moves to further deregulate energy markets will not work unless measures are taken to protect consumers. We need oversight to ensure the market delivers efficient energy services and addresses the financial, environmental and infrastructure needs of Australian households.

It's very easy to say consumers will benefit from market reforms, but it's much harder to turn that into a reality. Governments need to draw from all the reports circulating currently to deliver decisive action to simplify confusing pricing and demystify marketing and greater enforcement of market rules to improve the behaviour of industry.

The title of the report, 'A policy trilemma', identifies the central challenge facing the energy market—the need for it to deliver affordable, secure and environmentally sustainable energy services. The report identifies a number of ways policy makers can deliver tangible benefits to Australian households, including

- Assisting consumers to engage in energy markets;
- Strengthening energy network regulation, and regularly reviewing the powers and roles of regulatory institutions;
- Ensuring regulators take an active approach to enforcement, in particular setting high industry expectations regarding compliance; and
- Reducing energy demand in a way that ensures the vulnerable are not penalised.

The report also makes particular mention of energy industry developments in the United Kingdom and Europe where it has been widely acknowledged deregulation and increasing competition hasn't led to significant consumer benefit, citing extensive measures taken in the United Kingdom to reduce the negative impacts of energy bills on low income.

Details of a **workshop** to discuss the issues identified in the report and the broader issues on the current energy market reform agenda are to be announced soon – the workshop is proposed for February/March 2013. Email cathy@consumeraction.org.au to register your interest.

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2.2 The National Energy Market, an overview – findings from the tariff tracking tool, Gavin Dufty, St Vincent de Paul

The St Vincent de Paul Society, in conjunction with Alviss Consulting, has been tracking changes to residential energy tariffs and reporting on household impacts since 2010. The rationale for tracking changes to domestic energy prices has been to document price increases, analyse market developments and inform the broader community about bill impacts and potential savings to be made.

Key finding of this report are:

- That there has been significant cost increases across NSW, QLD, SA and Vic however the drivers of price increases in Victoria are significantly different to NSW, Queensland and South Australia.
- Victoria having significantly higher retail cost and lower network costs than the other states.

Clearly there are very legitimate reasons retail costs may increase. However, these retail cost figures may indicate something else, namely that Victorians are paying for electricity consumed by customers in other states. Victoria is the only jurisdiction in the NEM that does not regulate its retail tariffs so any retailer feeling the squeeze by regulation in, for example, Queensland may seek to recover its margins in Victoria.

Victoria deregulated retail energy prices on 1 January 2009. Since then, we have seen the development of a market where retail offers produce product differentiation this means households with certain consumption profiles (e.g. low consumption, high consumption, high off peak consumption etc.) are better off with some retailers than others. In comparison, product differentiation could simply mean market contracts with credit card reward schemes, footy jumpers and magazine subscriptions etc. While such product differentiation may promote customer switching and competition, however, it does not produce a more suitable energy offer.

We raised concerns about not having set dates for standing offer price resets in Victoria. We therefore believe the government should change the legislation to stipulate two dates per annum when the retailers may change their standing offers (i.e. 1 January and 1 July).

Governments (both federal and state) seem to regard energy bills as an instrument that can be fairly used to ensure the cost of various policies and programs are met. Examples include the Federal Renewable Energy Target (RET), the NSW Energy Savings Scheme (ESS) and the Victorian Energy Efficiency Target (VEET) scheme. There is very little scrutiny and transparency around these additional costs and we do not believe consumers should pay through fees and levies to support policies and programs without, at least, a clear cost – benefit study showing that consumers will benefit in the longer run. We suggest that policies and programs should be funded through consolidated revenue.

The most common form of retail market product differentiation in all four states is the various market offer discounts. Generally speaking, the higher the discount the longer the contract term. Second tier retailers tend to favour discounts conditional on bills being paid on time; this practice creates some confusing results in markets where late payment fees apply. The 'double whammy' of a late payment fee combined with losing out on discounts means that households with cash flow problems can risk becoming significantly worse off if switching to some of these offers.

There are issues associated with energy information. Firstly, timely information provision. Secondly, the type of information provided to consumers. If the intention is to have an energy market, it is necessary to ensure that consumers are educated and equipped to participate in the market.

There are also concerns with the ability of retailers to change energy contract prices while effectively locking in consumers with early termination fees. We suggest this should be rectified through one of three options

1. Only allow early termination fees to be applied to contracts where the retailer agrees to not increase prices for the period of the contract.
2. Require retailers to waive the early termination fee if they increase their rates during the period of the contract.
3. Continue with current arrangements but ban early termination fees.

The full report can be obtained at <http://www.vinnies.org.au/energy>

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2.3 Electricity costs too high for people with disability, Carolyn Hodge, Public Interest Advocacy Centre

More power to you: electricity and people with physical disability is a new report released by the Public Interest Advocacy Centre (PIAC) and the Physical Disability Council NSW (PDCN) mapping the social impact rising electricity prices are having on people with physical disability. This research has highlighted that people with physical disability face four layers of disadvantage. These are:

1. Low incomes mean struggling to afford electricity;
2. Disability brings additional general costs e.g. wheelchairs, particular food, medication;
3. Disability brings additional energy costs;
4. Disability can inhibit people realising benefits from traditional energy efficiency measures.

More power to you puts the findings into the context of current and future energy policy and focuses on the third and fourth layers noted above. The report also suggests energy-related actions to reduce the risks of disadvantage faced by people with physical disability.

Rising electricity prices seem to be a given in today's energy market, just as 'energy efficiency' and 'time of use pricing' are presented to consumers as the best way to manage electricity costs. But scant regard is paid to the barriers that sometimes make electricity unaffordable.

Disadvantage can be particularly acute in households where a person has a physical disability because their electricity consumption cannot always be reduced or shifted to cheaper price periods. For this reason, PIAC and PDCN surveyed affected households to get a better understanding of how rising electricity prices impact on people with physical disability.

Government payments are the primary source of income for most people with physical disability. This means that people with physical disability face all the usual challenges associated with low incomes and high electricity costs.

The general costs associated with disability include lost employment or education opportunities, together with the costs of home modification, transport, in-home services, aids, equipment and medical expenses. Then there are specific, energy-related costs such as running life support equipment, motorised wheelchairs, and heating or cooling.

A person with physical disability may also rely more heavily on appliances to help them with domestic tasks. In addition, if you rely on someone to assist you at home, his or her work schedule can make using electricity during peak periods unavoidable.

The research showed that electricity plays such a key role in maintaining mobility and independence that people with physical disability give priority to paying their electricity bills, sometimes to the detriment of their health. Many respondents said the essential item they were most likely to give up to pay their electricity bill was heating and cooling, even though three quarters of respondents said they have a physical condition that requires them to heat and cool their living space.

There are actions that could be taken to assist people with the energy-related costs of disability. Part of that action will entail improvements to the safety net that exists to help people stay connected to electricity. People's motivation to meet their own needs and keep electricity affordable also presents an opportunity to deliver energy efficiency programs and resources that, if targeted appropriately, will deliver long lasting benefits.

Finally, the electricity market of the future must be inclusive. An inclusive market will recognise that some consumers will have a limited ability to change their electricity consumption behaviour or benefit from technology-based innovations. This is an issue of particular relevance as innovations such as time-of-use tariffs and load control are offered to consumers as ways to limit their exposure to rising electricity prices.

PIAC and PDCN will use this research to inform the development of better policies and programs that help people with physical disability to stay connected to electricity and to stimulate market innovations that deliver benefits equitably to all consumers.

More power to you: electricity and people with physical disability is available at www.piac.asn.au

Carolyn Hodge is the Senior Policy Officer at PIAC's Energy & Water Consumers' Advocacy Program.

On the Wire welcomes contributions from consumer and community organisations. If you would like to submit an article for the next edition of *On the Wire*, please contact us at info@consumeraction.org.au with "On the Wire" in the subject line.

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